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Building Trust in the Consumer-Company Relationship: The Role of Consumer Perceptions of Transparency and Social Responsibility

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Keywords: Transparency, social responsibility, trust

Rationale and Objectives

Developing trust is a significant part of building the company-consumer relationship. Trust built between a company and its consumers contributes to generating positive marketing outcomes such as loyalty, customer retention, product choices, purchase intention, willingness to act, and overall market performance (e.g., Matzler, Grabner-Kräuter, & Bidmon, 2008). For this reason, being considered a trustworthy company by consumers is more critical than ever, this leads to the question of what it takes to build such trust between a company and its consumers (Knowles, 2003). Despite extensive studies on brand trust, most of which have focused more on the outcomes of trust (e.g., loyalty and repurchase) rather than its predictors, the question of what builds trust remains largely unanswered.

In an effort to build trust with customers, numerous companies including major corporations such as Gap Inc., Nike, and Macy's have expanded the scope of corporate social responsibility (CSR) initiatives by being transparent about their supply chain and labor issues and/or organizing outreach to the community (e.g., Steigrad, 2010). Here a question arises: do the company's specific efforts toward CSR really play a role in building trust among consumers? The purpose of this study was to develop and test a model that depicts the role of consumers' subjective evaluations of a company's transparency (TR) and social responsibility efforts (SR) in building trust (Trust) and positive attitudes of these consumers towards the company (General AT), and further in shaping these consumers' intentions to purchase from the company (Purchase INT) and spread positive word-of-mouth about the company and its products (WOM INT) (see Figure 1).

Methodology and Results

An online survey was conducted with a national wide sample (N = 303) from randomly selected consumers stratified along US census demographics. The empirical model was tested using structural equation modeling following a two-step procedure. First, through a measurement model test, we confirmed that all measurements were reliable and valid. Afterward, a structural model test was conducted to examine the linear

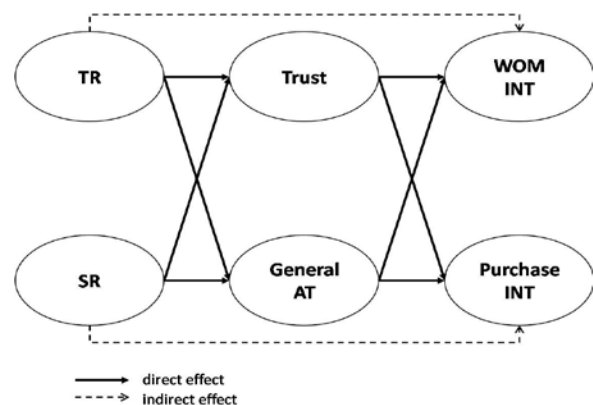


Figure1. Conceptual Model

relationships among constructs. The structural model fit was acceptable: ($\chi^2_{(df=281)} = 1022.07$, $p = .00$; GFI = .92; AGFI = .90; CFI = .97; RMR = .03, RMSEA = .05). The effects of transparency on trust ($\gamma = .48$, $p < .01$) and attitudes ($\gamma = .52$, $p < .01$) were both significant. The effects of social responsibility on trust ($\gamma = .17$, $p < .01$) and attitudes ($\gamma = .17$, $p < .01$) were significant. The effects of trust on WOM intention ($\gamma = .54$, $p < .01$) and purchase intention ($\gamma = .47$, $p < .01$) were significant. Lastly, attitudes had a significant effect on WOM intention ($\gamma = .27$, $p < .01$) and purchase intention ($\gamma = .33$, $p < .01$). A test of direct and indirect effects revealed that transparency and social responsibility indirectly affected WOM intention and purchase intention, being mediated by trust and attitudes.

Discussion and Implications

The results suggest that the level of company's transparency especially in addressing sweatshop issues and/or labor conditions perceived by a consumer plays a valid and significant role in building trust and a positive attitude toward the company. Further, such trust and attitudes built between the company and the consumer can be linked to the consumer's intent to make a purchase from the company as well as to deliver a positive opinion to others. The results suggest that social responsibility reflecting a company's effort toward corporate giving and charitable contribution is also a valid predictor of trust and attitudes, and indirectly, behavioral intentions. However, the effect sizes of social responsibility, compared with those of transparency, on trust and general attitudes were both much smaller. The results suggest that an effort to be transparent and honest, rather than charitable activities, may play the more important role in becoming a more trustworthy and favorable brand to consumers.

This study has theoretical implications by extending a traditional attitude-behavioral intention model. By including transparency, social responsibility, and trust as valid predictors of behavioral intentions in the model, this study enhances the explanatory power of the model as applied to the ethics and sustainability context. The model also extends the paths to WOM intentions, not limited to purchase intentions, which is meaningful considering the critical role of WOM effects in determining the reputation of corporations. This study provides practical insights to companies that have already put extensive efforts in CSR and others that are considering or even hesitating to invest their resources in sustainable business practices and endeavors. With a consumer-centric philosophy, a company must take a careful look at "how to be perceived by consumers" about its current or possible efforts of CSR not only focusing on planning and executing solely based on executive leaders' decisions. Placing consumer need for transparency at the heart of CSR decisions, while ultimately being faithful to the very concept of being responsible to all stakeholders (including consumers), allows the company to allocate its resources more effectively towards socially responsible activities that build trust and favorable attitudes among its customers and indirectly increase sales and positive reputations.

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